

Message Text

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C O N F I D E N T I A L CARACAS 8141

E.O. 11652 GDS

TAGS: ENRG, VE

SUBJECT: PETROLEUM - FEA ENTITLEMENTS PROGRAM

1. MINISTER OF STATE FOR INTERNATIONAL ECONOMIC AFFAIRS MANUEL PEREZ GUERRERO RAISED THIS SUBJECT WITH ME DURING OUR MEETING IN HIS OFFICE ON AUG 6. HE HAD WITH HIM FELIX ROSSI GUERRERO, MINISTER-COUNSELOR FOR PETROLEUM AFFAIRS IN VENEZUELA'S WASHINGTON EMBASSY.

2. THE MINISTER SAID HE HAD NOT PREVIOUSLY RAISED WITH ME THE ENTITLEMENTS PROBLEM IN A FORMAL FASHION (HE HAS MENTIONED IT IN PASSING) BECAUSE HE UNDERSTOOD THE MATTER WAS BEING HANDLED IN WASHINGTON. BUT HE AND ROSSI HAD DECIDED TO TAKE IT UP HERE AND NOW IN VIEW OF THE SUCCESSFUL EMPLOYMENT OF THE "DIPLOMATIC CHANNEL" IN THE SIMILAR CANADIAN CASE. (AS I UNDERSTAND IT, THE CANADIANS HAVE MODIFIED THEIR CRUDE OIL IMPORT COMPENSATION PROGRAM IN RESPONSE TO GOV PROTESTS THAT IT DISCRIMINATED AGAINST VENEZUELAN CRUDE.)

3. ROSSI BRIEFLY REVIEWED THE WORKINGS OF THE ENTITLEMENTS PROGRAM, WITH WHICH I AM FAMILIAR, AND THE RESULTING ADVANTAGE IT GIVES TO THE AMARADA HESS REFINERY IN THE VIRGIN ISLANDS IN PARTICULAR. HE SAID VENEZUELA WAS LOSING SALES AND MARKET POSITION AS A RESULT, WHILE THE US WAS IN EFFECT IMPORTING OIL FROM WIDELY SCATTERED AND POTENTIALLY UNRELIABLE SOURCES. HE REFERRED TO
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DISCUSSIONS WITH FEA ON THAT SCORE.

4. PEREZ GUERRERO SAID THE REGULATIONS AT ISSUE AMOUNT TO "DISCRIMINATION " AGAINST VENEZUELA. HE HOPED WE WOULD RECOGNIZE THAT SUCH WAS THE CASE AND CHANGE THEM ACCORDINGLY. HE RECALLED A PREVIOUS REMARK HE HAD MADE TO ME TO THE EFFECT THAT WE COULD NOT EXPECT TO TURN OFF THE SPIGOT AND THEN JUST HAVE IT TURNED ON AGAIN IN THE EVENT OF ANOTHER CRISIS. I SAID I WOULD LOOK INTO THE PROBLEM AND LET HIM KNOW.

5. ACTION REQUESTED: A STATUS REPORT ON THE ENTITLEMENTS PROGRAM AND THE PROSPECTS FOR CHANGE, IF ANY, WOULD BE MOST APPRECIATED. SHLAUDEMAM

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